

UNITED STATES POSTAL SERVICE

Fiscal Year 2018 Budget Congressional Submission

Finance (HQ)

**U.S. POSTAL SERVICE
FY 2018 BUDGET**

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U.S. POSTAL SERVICE APPROPRIATIONS

The following schedules reflect the Postal Service's budget request for Fiscal Year 2018.

Revenue Forgone

The Postal Service requests funding in Fiscal Year 2018 for revenue forgone on free mail for the blind and overseas voting, plus reconciliation amounts for past years, consistent with 39 U.S.C. §2401(c).

Revenue Forgone Reform Reimbursement

The Postal Service requests funding authorized under 39 U.S.C. §2401 (d) as reimbursement for losses incurred as a result of insufficient appropriations in Fiscal Years 1991 through 1993, and to compensate for revenues not received as a result of the rate phasing provisions of 39 U.S.C. §3626 (a) (3) (B), as last in effect before enactment of the Postal Accountability and Enhancement Act.

Public Service Costs

For public service costs, 39 U.S.C. §2401(b)(1)(G) authorizes, for years after Fiscal Year 1984, an amount equal to 5 percent of the Post Office Department's Fiscal Year 1971 appropriation. This amounts to \$460,000,000, however section 2401(b)(2) authorizes the Postal Service to reduce such percentage, including a reduction to zero.

The Postal Service has operated without this appropriation since Fiscal Year 1982, therefore, no appropriation for public service costs is requested during Fiscal Year 2018.

The following schedule provides a summary of the appropriations requested and recommended level of funding.

U.S. POSTAL SERVICE Appropriations Summary

(in thousands of dollars)

	Public Service Costs	Revenue Forgone	Total	
FY 2016:				
USPS Request	188,299	188,299	
OMB Proposal.....	...	67,234	67,234	
P.L. 114-113, Consolidated Appropriations Act, 2016		55,075	55,075	
Received January 23, 2016.....		55,075	55,075	a/, b/
Advance funding has been discontinued.....		0	0	
FY 2017:				
USPS Request	199,671	199,671	
OMB Proposal.....	...	63,658	63,658	
P.L. 115-31, Consolidated Appropriations Act, 2017				
To be received by May 28, 2017.....		34,658	34,658	c/,d/
Advance funding has been discontinued.....		0	0	
FY 2018:				
USPS Request	233,553	233,553	
OMB Proposal.....	...	58,118	58,118	e/

a/ A total amount of \$55.075M was received on January 28, 2016, per P.L. 114-113, Consolidated Appropriations Act, 2016

b/ The \$55.075M included an amount of \$29M, the FY2016 payment for the Revenue Forgone Reform Act, 1993

c/ A total amount of \$34.658M is expected to be received in May 2017, per P.L. 115-31, Consolidated Appropriations Act, 2017

d/ There has been no indication of a FY2017 payment (\$29M) for the Revenue Forgone Reform Act, 1993

e/ Subject to Congressional approval. Based on recent timing of current year appropriations, this is expected to be received in FY 2018

U.S. POSTAL SERVICE

Appropriations Summary

(In thousands of dollars)

	FY 2016			FY 2017			FY 2018	
	Request	OMB Proposal	P.L. 114-113	Request	OMB Proposal	P.L. 115-31	Request	OMB Proposal
A. Total Budget Authority (Appropriations).....	188,299	67,234	55,075	199,671	63,658	34,658	233,553	58,118
B. Program by Activity:								
1. Public Service Costs .....	...	...	...	...	...	...	...	...
2. Free for the Blind and Overseas Voting	49,923	62,082	49,923	52,060	49,271	49,271	52,901	58,118
3. Free and Reduced-rate Mail: Reconciliation Adjustment	-23,848	-23,848	-23,848	-14,613	-14,613	-14,613	18,428	0
4. Revenue Forgone Reform Reimbursement	162,224	29,000	29,000	162,224	29,000	0	162,224	0
5. Emergency Preparedness Costs .....	...	...	...	...	...	...	...	...
Total Appropriations	188,299	67,234	a/, b/ 55,075	199,671	63,658	c/, d/ 34,658	233,553	e/ 58,118

a/ A total amount of \$55.075M was received on January 28, 2016, per P.L. 114-113, Consolidated Appropriations Act, 2016

b/ The \$55.075M included an amount of \$29M, the FY2016 payment for the Revenue Forgone Reform Act, 1993

c/ A total amount of \$34.658M is expected to be received in May 2017, per P.L. 115-31, Consolidated Appropriations Act, 2017

d/ There has been no indication of a FY2017 payment (\$29M) for the Revenue Forgone Reform Act, 1993

e/ Subject to Congressional approval. Based on recent timing of current year appropriations, this is expected to be received in FY 2018

U.S. POSTAL SERVICE

Federal Funds

General and special funds:

Payment to the Postal Service Fund

For payment to the Postal Service Fund for: (1) current revenue forgone on free and reduced-rate mail for the blind and for overseas voting, plus reconciliation amounts for past years pursuant to subsection 39 U.S.C. §2401(c) , \$71,329,000; and (2) reimbursement of losses incurred as a result of insufficient appropriations for revenue forgone on free and reduced-rate pursuant to 39 U.S.C. §2401(d), \$162,224,000.00

Program and Financing (in thousands of dollars)				
	FY 2016	FY 2017	FY 2018	
	P.L. 114-113	P.L. 115-31	Request	OMB Proposal
Program by activities:				
Payment to the Postal Service fund for:				
Revenue forgone on free and reduced-rate mail:				
Current year.....	49,923	49,271	52,901	58,118
Reconciliation adjustment	-23,848	-14,613	18,428	0
Subtotal	26,075 b/	34,658 c/	71,329	58,118
Revenue forgone reform reimbursement	29,000 a/	0 d/	162,224	0
Total free and reduced-rate mail	55,075	34,658	233,553	58,118
Emergency Preparedness Costs .....	...	...	...	...
Total payment to the Postal Service Fund (total obligations).....	55,075	34,658	233,553	58,118
Financing:	a/, b/			e/
Budget authority (appropriations)	55,075	34,658	233,553	58,118

a/ A total amount of \$55.075M was received on January 28, 2016, per P.L. 114-113, Consolidated Appropriations Act, 2016

b/ The \$55.075M included an amount of \$29M, the FY2016 payment for the Revenue Forgone Reform Act, 1993

c/ A total amount of \$34.658M is expected to be received in May 2017, per P.L. 115-31, Consolidated Appropriations Act, 2017

d/ There has been no indication of a FY2017 payment (\$29M) for the Revenue Forgone Reform Act, 1993

e/ Subject to Congressional approval. Based on recent timing of current year appropriations, this is expected to be received in FY 2018

U.S. POSTAL SERVICE
Federal Funds

Payment to the Postal Service Fund

Program and Financing				
(in thousands of dollars)				
	FY 2016	FY 2017	FY 2018	
	P.L. 114-113	P.L. 115-31	Estimate	
			Request	OMB Proposal
Relation of obligations to outlays:				
Obligations incurred, net	a/, b/ 55,075	c/, d/ 34,658	233,553	58,118
Outlays	a/, b/ 55,075	c/, d/ 34,658	233,553	e/ 58,118

a/ A total amount of \$55.075M was received on January 28, 2016, per P.L. 114-113, Consolidated Appropriations Act, 2016

b/ The \$55.075M included an amount of \$29M, the FY2016 payment for the Revenue Forgone Reform Act, 1993

c/ A total amount of \$34.658M is expected to be received in May 2017, per P.L. 115-31, Consolidated Appropriations Act, 2017

d/ There has been no indication of a FY2017 payment (\$29M) for the Revenue Forgone Reform Act, 1993

e/ Subject to Congressional approval. Based on recent timing of current year appropriations, this is expected to be received in FY 2018

The appropriation request of \$233,553,000 includes \$52,901,000 for reimbursing the Postal Service for providing free mail for the blind and for overseas voting; \$18,428,000 as a reconciliation adjustment for revenue forgone on free and reduced-rate mail; and \$162,224,000 for partial reimbursement for losses incurred during FY1991 - FY1998 as a result of insufficient appropriations for revenue forgone.

The table on Page I-6 represents the estimated revenue forgone by the Postal Service in Fiscal Year 2018 for carrying certain categories of mail for free.

U. S. POSTAL SERVICE APPROPRIATIONS

Justifications

a. FY 2018 Appropriation request for Free for the Blind and Overseas Voting mail, \$52,901,000

Program and Financing (in thousands of dollars)					
Item	FY 2016	FY 2017		FY 2018	
	Appropriated Amount	Appropriated Amount	Change from Prior Year	Request Current Year	Change from Prior Year
A. Free for the Blind	49,159	48,537	-622	52,647	4,110
B. Overseas Voting	764	734	-30	254	-480
Total, Free for the Blind and Overseas Voting	49,923	49,271	-652	52,901	3,630

An appropriation of \$52,901,000 is requested for free mail for the blind and overseas voting which provides funding for:

Certain matter for use by the blind or other persons who cannot use or read conventionally printed materials because of physical impairment can be mailed free of postage. In order to qualify, there must be no charge, rental, subscription, or other fee required for such matter.

Items mailable free by a qualifying person include unsealed letters, sound reproductions, Braille writers or typewriters, educational or other materials or devices specifically designed or adapted for use of a visually handicapped person.

Absentee balloting materials can be mailed free by members of the Armed Forces and other U.S. citizens residing outside the territorial limits of the United States, and in bulk between state and local election officials. Effective November 2010 (P.L. 111-84) a certain category of absentee balloting materials are eligible to be processed via the United Postal Service at the expedited mail delivery rate.

**U. S. POSTAL SERVICE
APPROPRIATIONS**

Justifications (continued)

b. FY 2018 Reconciliation Adjustment Request, Revenue Forgone, \$18,428,000:

Program and Financing (in thousands of dollars)					
ITEM	FY 2016	FY 2017		FY 2018	
	Appropriated	Appropriated	Change from	Request	Change from
	Amount	Amount	Prior Year	Amount	Prior Year
Reconciliation adjustment	-23,848	-14,613	9,235	18,428	33,041

Under 39 U.S.C. §2401(c) the Postal Service continues to be instructed to include in its annual revenue forgone funding requests "an amount to reconcile sums authorized to be appropriated for prior fiscal years on the basis of estimated mail volume with sums which would have been authorized if based on the final audited mail volume." This instruction to seek reconciliation adjustments was not changed by section 703(a) of the Revenue Forgone Reform Act (RFRA) of 1993, which eliminated the appropriation for the revenue forgone on the various types of reduced-rate mail provided under section 3626 of title 39 (while keeping the funding mechanism for free mail for the blind and overseas voting intact).

U. S. POSTAL SERVICE APPROPRIATIONS

Justifications (continued)

The Postal Service, in accordance with the objectives established in the Postal Reorganization Act by the Congress, is therefore submitting a reconciliation adjustment of \$18,428,000 to adjust the reimbursement for services performed on Free Mail for the Blind and Overseas Voting mail during Fiscal Year 2015. Amounts appropriated to the Postal Service for Fiscal Year 2015 were based on estimates that appropriations amounting to \$41,000,000 would be required for FY 2015. However, audited mail volumes indicate that \$59,428 was actually required to fully reimburse the Postal Service for services provided during FY 2015. Therefore, a balance of \$18,428,000 relating to FY 2015 remains unpaid for which reimbursement is requested in this Fiscal Year 2018 appropriation request.

Program and Financing (in thousands of dollars)				
	Free for the Blind	Overseas Voting	Totals	Reconciliation Adjustment
<u>FY 2013:</u>				
Based Upon Final Audited Mail Volume	53,041	1,264	54,305	
Appropriation Received in FY 2012	76,334	1,819	78,153	
Reconciliation Adjustment - Requested in FY 2016	-23,293	-555	-23,848	
Reconciliation Adjustment - Funded in FY 2016 Appropriation				-23,848
<u>FY 2014:</u>				
Based Upon Final Audited Mail Volume	55,822	316	56,138	
Appropriation Received in FY 2013	70,352	399	70,751	
Reconciliation Adjustment - Requested in FY 2017	-14,530	-83	-14,613	
Reconciliation Adjustment - Funded in FY 2017 Appropriation				-14,613
<u>FY 2015:</u>				
Based Upon Final Audited Mail Volume	59,268	160	59,428	
Appropriation Received in FY 2014	40,890	110	41,000	
Reconciliation Adjustment - FY 2018 Request	18,378	50	18,428	18,428

**U. S. POSTAL SERVICE
APPROPRIATIONS**

Justifications (continued)

c. FY 2018 Appropriation Request for Revenue Forgone Reform Reimbursement, \$162,224,000:

Program and Financing (in thousands of dollars)								
ITEM	FY 2015	FY 2016		FY 2017			FY 2018	
	Approved Amount	Request Amount	Approved Amount	Request Amount	Change in Request From Prior Year Request	Approved Amount	Request Amount	Change in Request From Prior Year Request
Revenue Forgone Reform Reimbursement								
Reclaim Installment reduction in FY 2011		17,200	... /b	17,200	...	... f/	17,200	...
Reclaim -0.2% rescission on \$11.8M in FY 2011		24	... /b	24	...	... f/	24	...
Reclaim Installment reduction in FY 2012		29,000	... /b	29,000	...	... f/	29,000	...
Reclaim Installment reduction in FY 2013		29,000	... /b	29,000	...	... f/	29,000	...
Reclaim Installment reduction in FY 2014		29,000	... /b	29,000	...	... f/	29,000	...
Reclaim Installment received in FY 2015	29,000 a/	29,000	... a/	... d/	(29,000)	... g/	...	...
Reclaim Installment reduction in FY 2016		29,000	29,000 c/	29,000 e/	...	... h/	...	(29,000)
Reclaim Installment reduction in FY 2017				29,000	29,000	... i/	29,000	...
Current Year Installment							29,000	29,000
Total	29,000	162,224	29,000	162,224	0	0	162,224	0

a/ An amount of \$29M, the installment for FY 2015 was provided for in P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

b/ None of the previous years' (2011 - 2014) installments were provided for in P.L. 114-113, Consolidated Appropriations Act, 2016

c/ An amount of \$29M, the installment for FY 2016 was provided for in P.L. 114-113, Consolidated Appropriations Act, 2016

d/ Since the \$29M installment for FY 2015 was provided for in P.L. 113-235, it did not need to be considered in the FY 2017 requested amount

e/ When the FY2017 request was prepared, USPS was not aware that the FY2016 installment was going to be received in January 2016

f/ None of the previous years' (2011 - 2014) installments were provided for in the P.L. 115-31, Consolidated Appropriations Act, 2017

g/ The installment for FY 2015 was provided for in P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

h/ The installment for FY 2016 was provided for in P.L. 114-113, Consolidated Appropriations Act, 2016

i/ The \$29M installment for FY 2017 was not provided for in P.L. 115-31, Consolidated Appropriations Act, 2017

The Revenue Forgone Reform Act of 1993 authorizes \$29,000,000 to be appropriated to the Postal Service for each of Fiscal Years 1994 through 2035 to provide reimbursement to the Postal Service for losses incurred as a result of insufficient amounts appropriated under section §2401(c) for Fiscal Years 1991 through 1993, and to compensate for the additional revenues it is estimated the Postal Service would have received under the provisions of section §3626(a) for the period beginning October 1, 1993, and ending on September 30, 1998. If the fraction specified in sub-clause (VI) of section §3626(a)(3)(B)(ii) were applied with respect to such period instead of the respective fractions specified in sub-clauses (I) through (V) thereof, as last in effect before enactment of the Postal Accountability and Enhancement Act. The FY 2018 request includes \$17,200,000 and \$24,000 respectively as reimbursement for revenue forgone reduction since FY 2011 and for a rescission enacted in FY2011 (P.L. 112-10).

U. S. POSTAL SERVICE
ADVANCE APPROPRIATIONS – REVENUE FORGONE

The purpose of this schedule is to assist in tracking authorized amounts to the year of payment and reflect the advance funding of Revenue Forgone appropriations, and recissions, if any.

(in thousands of dollars)

Authorized for	Amount	Received During			
		FY 2015	FY 2016	FY 2017	FY 2018
FY 2014: Advance Funding from FY 2014		70,751 a/			
FY 2015: Free Mail for the Blind and Overseas Voting Reconciliation Adjustment (re: FY 2012) Revenue Forgone Reform Reimbursement Total Appropriated, P.L. 113-235 Consolidated and Further Continuing Appropriations Act, 2015 Received October 28, 2015 (FY 2016) Amount Received in FY 2015 (from FY 2014 appropriation funding and FY 2015 payment for Revenue Forgone Reform Act, 1993)	61,177 -20,177 29,000 70,000	29,000 c/	61,177 b/ -20,177 b/		
		99,751 a/, c/			
FY 2016: Free Mail for the Blind and Overseas Voting Reconciliation Adjustment (re: FY 2013) Revenue Forgone Reform Reimbursement Total Appropriated, P.L. 114-113 Consolidated Appropriations Act, 2016 Received January 23, 2016 (FY 2016) Amount Received in FY 2016 (from FY 2016 Appropriation and FY 2016 payment for Revenue Forgone Reform Act, 1993)	49,923 -23,848 29,000 55,075		49,923 d/ -23,848 d/ 29,000 e/		
			96,075 b/, d/, e/		
FY 2017: Free Mail for the Blind and Overseas Voting Reconciliation Adjustment (re: FY 2014) Revenue Forgone Reform Reimbursement (NOT received for FY2017) Total Proposed by OMB, all to be received in FY 2017 Total Appropriated, P.L. 115-31 Consolidated Appropriations Act, 2017 To be received May 2017 (FY 2017)	49,271 -14,613 29,000 63,658			49,271 f/ -14,613 f/ 0 g/	
				34,658 f/, g/	
FY 2018: Free Mail for the Blind and Overseas Voters - Reconciliation Adjustment (re: FY 2015) Revenue Forgone Reform Reimbursement - (NOT proposed by OMB) Total Proposed by OMB, all to be received in FY 2018	39,690 18,428 0 58,118				

a/ Advance funding per P.L. 113-76, Consolidated Appropriations Act, 2014, received October 28, 2014

b/ Advance funding per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015, received October 28, 2015

c/ Revenue Forgone Reform Act installment for FY 2015 provided per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015 and received on January 28, 2015

d/ Amount for Free Mail for the Blind and Overseas Voting per P.L. 114-113, Consolidated Appropriations Act, 2016 and received on January 28, 2016

e/ Revenue Forgone Reform Act installment for FY 2016 provided per P.L. 114-113, Consolidated Appropriations Act, 2016 and received on January 28, 2016

f/ Amount for Free Mail for the Blind and Overseas Voting per P.L. 115-31, Consolidated Appropriations Act, 2017 and expected to be received in May 2017

g/ P.L. 115-31 did not include a 2017 payment for the Revenue Forgone Reform Act, 1993

UNITED STATES POSTAL SERVICE

Fiscal Year 2018 Budget Congressional Submission

PART II

Financial Statements

Finance (HQ)

U.S. POSTAL SERVICE

The Postal Reorganization Act of 1970 (PRA), Public Law 91-375, converted the Post Office Department into the U.S. Postal Service, an independent establishment within the executive branch. The Postal Service commenced operations July 1, 1971. This agency is charged with providing reliable mail service at reasonable rates and fees.

The U.S. Postal Service Board of Governors ("Board") generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The Governors are appointed by the President of the United States with the advice and consent of the United States Senate. The Postmaster General is appointed by the Governors, and the Deputy Postmaster General is appointed by the Governors and the Postmaster General.

The Board is required by law to have a quorum of six members in order to take certain actions. In December 2014, due to the term expiration of one Governor and U.S. Senate inaction on pending nominees, the number of sitting Board members dropped to five, thereby rendering the Board unable to assemble a quorum.

In November 2014, while the Board still had a quorum, it issued a resolution that established a Temporary Emergency Committee of the Board (TEC) to exercise certain powers reserved to the Board during a period in which it is unable to assemble a quorum. The TEC consists of the remaining members of the Board and exercises those Board powers necessary for operational continuity. The TEC will continue in existence until the Board is again able to assemble a quorum. The establishment of the TEC was publicly announced in a Federal Register notice on December 16, 2014.

The Federal Register notice also announced a resolution issued by the Governors in November 2014 regarding the exercise of those powers conferred by law solely on the Governors, as distinguished from the full Board. Powers conferred solely upon the Governors include the appointment and removal of the Postmaster General and the establishment of prices and classifications for our services. The Governors determined that they could continue exercising the Governors' independent powers with less than a quorum.

Currently the Board is operating with only two members, the Postmaster General and the Deputy Postmaster General.

U.S. POSTAL SERVICE

The law divides our services into two broad categories: Market-Dominant and Competitive “products”; however, the term “services” is often used in this document for consistency with other descriptions of “services” offered by the Postal Service.

Postal Service prices for Market-Dominant services are set by the Governors and reviewed by the Postal Regulatory Commission (PRC) for legal compliance. Prices for Competitive services, by law, must cover costs attributable to each product, as well as an appropriate share of the institutional costs of the Postal Service.

Periodic reclassifications and expansions of services from Market-Dominant to Competitive, which require approval from the PRC, are necessary to rationalize service offerings. The additional flexibility provided in Competitive service allows us to better offer services that meet customer needs, to increase business for the Postal Service, and to allow us to price our products and services competitively within the markets in which we operate. The Postal Service’s Competitive services generally include most of our shipping, package, and expedited delivery services.

Programs - Included are all postal activities providing window services; processing, delivery, and transportation of mail; research and development; administration of postal field activities; and associated expenses of providing facilities and equipment.

Financing - The activities of the U.S. Postal Service are financed from the following sources: (1) mail and services revenue; (2) reimbursements from Federal and non-Federal sources; (3) proceeds from borrowing; (4) interest from U.S. securities and other investments; and (5) appropriations by the Congress. All receipts and deposits are made to the Postal Service Fund and are available without fiscal year limitation for payment of all expenses incurred, retirement of obligations, investment in capital assets, and investment in obligations and securities.

U.S. POSTAL SERVICE

Section 2005 of Title 39, United States Code, authorizes the Postal Service to borrow money and to issue obligations for this purpose. Through the end of Fiscal Year 1990, the aggregate amount of such obligations outstanding at any one time was limited to \$10 billion. This maximum amount was increased to \$12.5 billion in Fiscal Year 1991 and to \$15.0 billion for Fiscal Year 1992 and each fiscal year thereafter. Also beginning in Fiscal Year 1991, the net increase in amounts outstanding in any year may not exceed \$2.0 billion in obligations issued for the purpose of capital improvements and \$1.0 billion for the purpose of defraying operating expenses.

P.L. 109-435 removed the separate limitations on borrowing for capital improvements and operating expenses so that under the \$15 billion debt cap, the annual increase in outstanding debt cannot now exceed a combined total of \$3.0 billion. As of September 30, 2013, the total debt instruments issued and outstanding pursuant to this authority amount to \$15.0 billion.

The PRA created an independent Postal Service with a mandate to operate in a business-like manner and to report its finances using business-like accounting and budgeting. As a result, the Postal Service adopted an accrual accounting system, which follows generally accepted accounting principles, in which capital expenditures are charged to expense through depreciation over an asset's useful life. This provides an allocation of costs to the years in which an asset's benefits are received. A cash accounting approach, as used by the Federal Government, ignores the fact that valuable assets are acquired by the Postal Service and funded through postage rates set to recover the cost of those assets over their useful lives rather than in one year. Consistent with the purpose of the Act, the Office of Management and Budget (OMB) removed all Postal Service financial transactions except those involving appropriations, such as the revenue forgone payments for free and reduced-rate mail, from the Federal Government's budget and deficit calculations in Fiscal Year 1974. This action placed the Postal Service off-budget.

However, with the Fiscal Year 1986 Federal Budget, OMB placed the Postal Service back on-budget. As a result, the way capital expenditures are treated under the government's cash-basis system improperly made it appear that the "break-even" mandate of the Postal Service consistently adds to the Federal deficit in the near-term.

Enactment of the Budget Reconciliation Act of 1989 once again placed the Postal Service Fund off-budget. Effective with Fiscal Year 1990, receipts and disbursements of the Postal Service Fund are not considered as part of the congressional and executive budget process relating to calculations under the Balanced Budget and Emergency Deficit Control Act of 1985.

U.S. POSTAL SERVICE

Omnibus Budget Reconciliation Act of 1987 (OBRA of 1987)

The OBRA of 1987 required the Postal Service to make payments of \$350 million to the Civil Service Retirement and Disability Fund and \$160 million to the Employees Health Benefits Fund in Fiscal Year 1988. Also required was a \$270 million payment in 1989 to the Employees Health Benefits Fund. Funds for the 1988 and 1989 health benefit payments were derived from operating budget savings. An escrow account was also established with the U.S. Treasury into which the Postal Service deposited \$465 million on October 31, 1988. The escrow was terminated and the funds returned on October 1, 1989. Excluding the temporarily escrowed funds, this legislation required Postal Service payments totaling \$780 million during 1988 and 1989.

The Act also limited Postal Service capital investment commitments to \$625 million in Fiscal Year 1988. Compared to the original Fiscal Year 1988 capital investment plan, these restrictions reduced Fiscal Year 1988 capital commitments by \$1.736 billion for a 74 percent reduction. The Act also limited Fiscal Year 1989 capital commitments to \$1.995 billion, a reduction of \$635 million or 24 percent from the original plan.

Omnibus Budget Reconciliation Act of 1989 (OBRA of 1989)

The OBRA of 1989 included several provisions affecting the Postal Service's budget for 1990 and the budgets of future years.

The OBRA of 1989 placed the Postal Service Fund off budget effective in Fiscal Year 1990. It excludes postal receipts and disbursements from the totals in the President's Budget, the Congressional Budget Resolution and Gramm-Rudman-Hollings Act sequestration. Appropriations to USPS remain on-budget.

Payments to the Department of Labor for USPS workers' compensation are accelerated. The OBRA of 1989 made USPS liable for CSRS COLA payments to USPS annuitants (or their survivors) who retire from USPS after 9/30/86. It also made USPS liable for the employer's share of health benefits costs of survivors of former USPS employees who died after 9/30/86.

U.S. POSTAL SERVICE

Debt Ceiling Legislation

Legislation enacted December 12, 1989, also increased Postal Service borrowing authority. The following changes have been made to Postal Service statutory borrowing authority:

- Maximum total outstanding borrowing was increased from \$10.0 billion to \$12.5 billion in Fiscal Year 1991 and to \$15.0 billion for Fiscal Year 1992 and each fiscal year thereafter.
- Maximum annual net increase in obligations outstanding for capital improvements increased to \$2.0 billion.
- Maximum annual net increase in obligations outstanding for operating expenses increased to \$1.0 billion.

Omnibus Budget Reconciliation Act of 1990 (OBRA of 1990)

The OBRA of 1990 affected the Postal Service as follows:

- Existing laws which required the Postal Service to fund Civil Service Retirement System (CSRS) cost-of-living adjustments (COLA) and Federal Employees Health Benefit Program (FEHBP) premiums only for postal annuitants who retired after September 30, 1986, and their survivors, were rescinded.
- Effective October 1, 1990, the Postal Service is required to fund the CSRS COLAs for postal annuitants who retired after June 30, 1971, and their survivors. Each year's liability will be prorated and the Postal Service's portion will reflect only Federal civilian employment service occurring after June 30, 1971. This liability will be amortized over 15 years at 5 percent interest.
- Effective October 1, 1990, the Postal Service is required to fund the employer's share of FEHBP insurance premiums for postal annuitants who retired after June 30, 1971, and their survivors. These costs are apportioned and the Postal Service's share reflects only Federal civilian employment service occurring after June 30, 1971.

U.S. POSTAL SERVICE

OBRA of 1990 – continued

- The Postal Service is liable for the retroactive CSRS COLA and FEHBP premium payments that would have been required between July 1, 1971, and September 30, 1986, if the provisions described previously had been in effect since July 1, 1971. This retroactive liability was reduced by \$780 million representing the extraordinary Postal Service payments required by the Omnibus Budget Reconciliation Act of 1987 and the remaining balance was liquidated during FYs 1991-1995.
- Included several reforms to the FEHBP to help control FEHBP premium increases beginning in FY 1991.

Omnibus Budget Reconciliation Act of 1993 (OBRA of 1993)

The OBRA of 1993 obligated the Postal Service to pay interest on the retroactive assessments due under the OBRA of 1990. The OBRA of 1993 assessment represents interest at 5 percent on the employer's portion of annuitant COLAs and health benefits, previously paid by the U. S. Government, that the Postal Service would have paid had the provisions of the OBRA of 1990 been in effect from July 1, 1971 through September 30, 1986. This interest assessment, totaling \$1.041 billion, was paid in three equal annual installments beginning September 30, 1996.

Balanced Budget Act of 1997

Under the Postal Reorganization Act of 1971, the U.S. Government remained responsible for payment of all Post Office Department workers' compensation claims incurred before July 1, 1971 and the newly created Postal Service was responsible only for its own workers' compensation claims. However, the Balanced Budget Act of 1997 repealed the authorization for transitional appropriations to the Postal Service under which funding had been provided for the liabilities of the former Post Office Department to the Employees' Compensation Fund. Effective October 1, 1997, these remaining claims became liabilities of the Postal Service payable out of the Postal Service Fund. At September 30, 1997, the discounted present value of these liabilities was estimated at \$258 million.

U.S. POSTAL SERVICE

Revenue Forgone Reform Act of 1993

Congress did not fund Postal Service revenue forgone requests at amounts that were required to fully fund the services rendered during fiscal years 1991, 1992, and 1993. These unpaid appropriation shortfalls totaled \$516 million as of September 30, 1993. The Revenue Forgone Reform Act of 1993 (Act) was enacted to provide funding for these appropriation shortfalls as well as for the cost of phasing out certain aspects of the revenue forgone program (estimated at \$702 million) during fiscal years 1994 through 1998. The Act authorizes the total of \$1.218 billion payable to the Postal Service in 42 annual installments of \$29 million each, without interest, during 1994 through 2035, as reimbursement for these amounts due.

In FY 2011 the Postal Service received the annual payment of \$29.0 million. However, later that same year, Congress rescinded or reduced the amount by \$11.224 million. In Fiscal Years 2012, 2013, and 2014 the Postal Service did not receive the \$29.0 million annual payments. The Fiscal Year 2015 and 2016 payments were received in January 2015 and January 2016, respectively (see pages II-11 and II-12).

Response and Recovery for Terrorist and Biohazard Threats

In response to the September 11, 2001 terrorist attacks, and the anthrax attacks that followed shortly thereafter, P.L. 107-38, the Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States was enacted. On November 20, 2001 the President released \$175.0 million from the Emergency Response Fund to the U.S. Postal Service in response to the anthrax attacks. This included \$100.0 million for an initial purchase of irradiation equipment to sanitize the mail and \$75.0 million for the costs of personnel protection equipment, first-response/environmental testing kits and services, site clean-up and medical goods and services, and public education material. The specific restrictions of \$100.0 million for irradiation equipment and \$75.0 million for other costs were subsequently removed.

As part of the Department of Defense Appropriations Act, 2002 (P.L. 107-117), enacted January 10, 2002, Congress appropriated, from amounts authorized by P.L. 107-38, an additional \$500 million to the Postal Service to protect postal employees and postal customers from exposure to bio-hazardous material, sanitize and screen the mail, and replace or repair postal facilities destroyed or damaged in New York City as a result of the September 11, 2001 terrorist attacks. A supplemental appropriation, P.L. 107-206 provided an additional \$87 million to support completion of planned FY 2002 activities.

Biohazard Detection

Congress appropriated an additional \$507 million as part of the Consolidated Appropriations Act, 2005 (P.L. 108-447) for the protection of postal employees and postal customers from exposure to hazardous materials in the mail.

U.S. POSTAL SERVICE

Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. 108-18)

Public Law 108-18, signed into law by the President on April 23, 2003, made significant changes to the way the Postal Service funds its Civil Service Retirement System (CSRS) retirement obligation. Based upon an analysis by the Office of Personnel Management (OPM) and confirmed by a General Accounting Office review, without this legislation, the Postal Service was on course to over-fund this CSRS pension obligation by approximately \$105 billion. This over-funding resulted from higher than assumed interest earnings, lower than assumed outlays and other factors.

The major components of Public Law 108-18 were:

- Previously, a retirement liability resulted from general pay increases granted to CSRS employees and was discharged over 30 years with interest at 5% and a retirement liability resulting from annual cost-of-living adjustments granted to CSRS retirees was discharged over 15 years with interest at 5%. These retirement liabilities and payments were eliminated.
- Effective in May 2003, the Postal Service paid 17.4% of current CSRS employees' wages to the retirement fund rather than the 7.0% previously paid.
- Effective September 30, 2004, the Postal Service began a series of 40 annual payments to discharge any remaining CSRS retirement liability as calculated and updated annually by OPM.
- Retirement obligations associated with the military service of CSRS postal employees previously paid by the U.S. Treasury, were retroactively transferred to the Postal Service. The Postal Service, U.S. Treasury and OPM were required to submit proposals to Congress detailing who should be responsible for military service retirement costs. These proposals were submitted September 30, 2003.
- Cash savings resulting from this law must be used to reduce debt with the U.S. Treasury in 2003 and 2004. In 2005, the savings was used to offset operational expenses and hold postal rates steady. After 2005, the savings were to be held in escrow until directed by Congress as to their use.

U.S. POSTAL SERVICE

Postal Accountability and Enhancement Act of 2006 (P.L. 109-435)

Public Law 109-435, signed into law by the President on December 20, 2006, made a number of changes affecting the operations and oversight of the Postal Service, many of which are consistent with the recommendations of the President's Commission.

The Act provided for separate accounting and reporting for Postal Service activities related to:

- Products where the Postal Service dominates the market.
- Products where the Postal Service is in a competitive market.

The Act amended the process for determining rate increases for market-dominant products, in part by imposing a limitation on rate increases for at least the next 10 years linked to the Consumer Price Index. This will provide the Postal Service with flexibility and ratepayers with a degree of rate predictability. The Act also replaced the Postal Rate Commission with a Postal Regulatory Commission with expanded authorities, including subpoena powers.

Debt Legislation

P.L. 109-435 changed the structure of our borrowing authority. The following changes were made to Postal Service statutory borrowing authority:

- Maximum total outstanding borrowing continued to be \$15.0 billion for Fiscal Year 1992 and each fiscal year thereafter.
- Removed the separate limitations on borrowing for capital improvements and operating expenses so that under the \$15 billion debt cap, the annual increase in outstanding debt cannot now exceed a combined total of \$3.0 billion.

U.S. POSTAL SERVICE

Postal Accountability and Enhancement Act of 2006 (P.L. 109-435) (continued)

Public Law 109-435 created the Postal Service Retiree Health Benefits Fund to put the Postal Service on a path that fully funds its substantial retiree (annuitant) health benefits liabilities. The new Fund received from the Postal Service:

- **The pension savings provided to the Postal Service by the Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. 108-18) that were held in escrow during 2006.**
- **A 10-year stream of payments defined within P.L. 109-435 to begin the liquidation of the Postal Service's unfunded liability for post-retirement health benefits.**
- **Beginning in 2017, the Office of Personnel Management is making actuarial evaluations of the assets of the Fund compared to the estimated liability for future health benefit payments from the Fund. Any net liability shall be liquidated by a series of future annual payments.**
- **The surplus resources of Civil Service Retirement and Disability Fund that are not needed to finance future retirement benefits under CSRS to current or former employees of the Postal Service that are attributable to civilian employment with the Postal Service, including the savings from shifting the responsibility for retirement credit related to military service from the Postal Service to the Treasury (effectively eliminating the need for the dynamic CSRS funding payments and supplemental liability payments).**

As a result of this new health benefits financing system, the Postal Service ceased paying annual premium cost for its post-1971 current annuitants directly to the Employees and Retired Employees Health Benefits Fund in 2017. Instead, these premium payments are being paid from amounts that the Postal Service remits to this new fund. Payments for a proportion of the premium costs of Postal Service annuitants pre-1971 service continue to be paid by the General Fund of the Treasury through the Government Payment for Annuitants, Employees Health Benefits account.

U.S. POSTAL SERVICE

Continuing Appropriations Resolution, 2010 (P.L. 111-68)

Due to the downturn in the economy, the Postal Service faced an unprecedented decline in mail volume, and the resulting loss in revenue was critically affecting its ability to meet the requirement of the Postal Accountability and Enhancement Act (P.L. 109-435) to prefund its future retiree health benefits.

To protect the financial viability of America's postal system, Congress approved via the Continuing Appropriations Resolution, 2010 (P.L. 111-68) a reduction in the payment due September 30, 2009, to the Postal Service Retiree Health Benefit Fund from \$5,400,000,000 to \$1,400,000,000. In 2017, the Office of Personnel Management has determined the Postal Service's payments to amortize the remaining unfunded retiree health benefit liability over the next forty years.

Consolidated Appropriations Act, 2012 (P.L. 112-74)

Section 632 of Division C amended Title 5, United States Code by striking the date specified in section 8909a(d)(3)(A)(v) "September 30, 2011" and inserting "August 1, 2012" for the scheduled payment of \$5,500,000,000 to the Postal Service Retiree Health Benefit Fund.

Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235)

Set the FY 2015 Appropriation Amounts at the levels set in The Financial Services and General Government Appropriations Act, 2015 (division E of P.L. 113-235).

Note: P.L. 113-235 was written to provide the FY 2015 Appropriation in the year following the request. \$41M for Free Mail and Overseas Voting was received on October 28, 2015 (FY 2016). In addition, P.L. 113-235 provided the FY 2015 installment of \$29M per the Revenue Forgone Reform Act, 1993. This was received in January, 2015.

U.S. POSTAL SERVICE

Consolidated Appropriations Act, 2016 (P.L. 114-113)

Set the FY 2016 Appropriation Amounts at the levels set in The Financial Services and General Government Appropriations Act, 2016 (division E of P.L.114-113).

Note: P.L.114-113 was written to provide the FY 2016 Appropriation in the year of the request. \$26.075M for Free Mail and Overseas Voting was received on January 23, 2016. In addition, the FY 2016 installment of \$29M per the Revenue Forgone Reform Act, 1993, was received on the same date.

Consolidated Appropriations Act, 2017 (P.L. 115-31)

Set the FY 2017 Appropriation Amounts at the levels set in The Financial Services and General Government Appropriations Act, 2017 (division E of P.L.115-31).

Provides for applicable appropriations until a new law is enacted OR September 30, 2017 which ever comes first.

The following Program and Financing Statement and Statement of Revenue and Expense reflect actual financial results for Fiscal Year 2016 and the Postal Service and Office of Management and Budget (OMB) forecasts for Fiscal Years 2017 and 2018.

**U.S. POSTAL SERVICE
PROGRAM AND FINANCING**
(in millions of dollars)

ITEM	ACTUAL FY 2016	P.L. 115-31 FY 2017	ESTIMATE FY 2018
Obligations by Program Activity:			
Postal Field Operations	42,376	48,851	49,650
Transportation	6,991	7,217	7,569
Building Occupancy	1,964	2,015	2,069
Supplies and Services	2,651	2,877	2,902
Research and Development	29	31	32
Administration and Area Operations	<u>13,369</u>	<u>12,392</u>	<u>12,462</u>
Interest	222	181	219
Servicewide Expenses	<u>174</u>	<u>179</u>	<u>183</u>
Subtotal Reimbursable Program Activities:	67,776	73,743	75,086
Capital Investments	1,428	1,933	1,622
Changes in Resources on Order and Inventory	<u>223</u>	<u>0</u>	<u>0</u>
Subtotal Reimbursable Program Activities:	1,651	1,933	1,622
Total New Obligations	69,427 a/	75,676 a/	76,708 a/
Budgetary Resources Available for Obligation:			
Unobligated balance carried forward, start of year	5,098	6,622	1,476
Unobligated balance applied to repay debt			
Unexpired, unobligated balance carried forward, end of year	<u>6,622</u>	<u>1,476</u>	
New Budget Authority (gross):			
Authority to Borrow (total mandatory)	-	-	-
Spending Authority from Offsetting Collections	<u>70,951</u>	<u>70,708</u>	<u>71,529</u>
Total New Budget Authority (gross)	70,951	70,708	71,529

a/ Total collections were reduced by amounts transferred to fund the operation of the Office of the Inspector General and the Postal Regulatory Commission (see next page II-14). The rest is available to fund Postal Service obligations as shown above.

**U.S. POSTAL SERVICE
PROGRAM AND FINANCING**
(in millions of dollars)

In compliance with P.L. 109-435, Section 603 [c](1), the following amounts (included in the totals previously shown on Page II-13 and funded from postal receipts) are reported:

	ACTUAL FY 2016	P.L. 115-31 FY 2017	ESTIMATE FY 2018
Office of Inspector General	-249	-254	-261
Postal Regulatory Commission	-15	-16	-18
	-264	-270	-279

For additional details, refer to the annual budget submissions of these two individual organizations.

**U.S. POSTAL SERVICE
PROGRAM AND FINANCING**
(in millions of dollars)

ITEM	ACTUAL FY 2016	ESTIMATE FY 2017	ESTIMATE FY 2018
Change in Obligated Balances:			
Obligated Balance, Start of Year	1,536	1,637	1,659
Total new Obligations	69,427	75,676	76,708
Total outlays (gross)	<u>-69,326</u>	<u>-75,654</u>	<u>-71,983</u>
Obligated Balance, End of Year	1,637	1,659	6,384
Outlays (gross) Detail:			
Outlays from New Mandatory Authority	69,326	70,708	71,529
Offsets Against Gross Budget Authority and Outlays:			
Offsetting Collections from:			
Federal Sources	-1,096	-1,031	-1,031
Interest on U.S. Securities	-10	-10	-10
Non-Federal sources	<u>-69,845</u>	<u>-69,667</u>	<u>-70,488</u>
Total, Offsetting Collections	-70,951	-70,708	-71,529
Net Budget Authority and Outlays:			
Budget Authority	---	---	---
Outlays	-1,625	4,946	454

U.S. POSTAL SERVICE

STATEMENT OF REVENUE AND EXPENSE

(in millions of dollars)

	<u>ACTUAL</u> <u>FY 2016</u>	<u>ESTIMATE</u> <u>FY 2017</u>	<u>ESTIMATE</u> <u>FY 2018</u>
TOTAL REVENUE	71,530	70,714	71,496
TOTAL EXPENSES	<u>77,121</u> a/	<u>74,963</u> b/	<u>76,168</u> c/
NET INCOME, LOSS (-)	<u><u>-5,591</u></u>	<u><u>-4,249</u></u>	<u><u>-4,672</u></u>

a/ Includes Postal Service Retiree Health Benefits Fund (PSRHBF) payment of \$5.8 Billion due in FY 2016.
USPS did not make any payments in FY 2015.

b/ There is no prepayment for the Postal Service Retiree Health Benefits Fund (PSRHBF) due in FY 2017.

c/ There is no prepayment for the Postal Service Retiree Health Benefits Fund (PSRHBF) due in FY 2018.